

7CFR Part 1032

Docket No. AO-313-A44-;DA-01-07

Milk in the Central Marketing Area (Public Hearing November 2001)

In Support of Proposal No. 8

I am Neil Gulden, Director of Fluid Marketing for Associated Milk Producers, Inc. (AMPI). My office address is 315 North Broadway, New Ulm, Minnesota, 56073.

AMPI represents approximately 5,000 dairy farmers in 7 midwest states. Our milk is pooled on Federal Order 1030 (Upper Midwest Marketing Area) and 1032 (Central Marketing Area) where we service several major bottling customers. We also own and operate 13 manufacturing plants in Minnesota, Wisconsin, South Dakota and Iowa.

My testimony is in support of Proposal No. 8, which also has the support of Anderson-Erickson Dairy Company, Family Dairies USA, First District Association, Foremost Farms, Swiss Valley Dairy, Milwaukee Cooperative Milk Producers, Manitowac Milk Producers Cooperative and Midwest Dairymen's Company.

Section 1032.12 (b) (3) states that a Producer shall not include "A dairy farmer whose milk is received by diversion at a pool plant from a handler regulated under another Federal order if the other Federal order designates the dairy farmer as a producer under that order and that milk is allocated by request to a utilization

Exhibit 23
11/15/2001

other than Class I"; and 1032.12 (b) (4) states that a producer should not include "A dairy farmer whose milk is reported as diverted to a plant fully regulated under another Federal order with respect to that portion of the milk so diverted that is assigned to Class I under the provisions of such other order".

In short, the language is saying that a producer sharing in the proceeds of one Federal order should not be allowed to share in the proceeds of another Federal order on the same milk in the same month.

Proposal No. 8 is simply asking that a producer sharing in the proceeds of a state marketwide pool, not be allowed to share in a Federal order on the same pounds of milk in the same month.

California has chosen to opt for a State marketwide order for their dairy farmers. That's their right and choice. But, just as is the case between Federal orders, their milk should not be allowed to be part of two marketwide pools at the same time. This is exactly what has been happening with milk from California pooled on Federal order 1032 since March 2001 and to an increasing degree, right up through September 2001. I assume the situation hasn't changed since September 2001 Federal Order 1032 pool statistics were announced.

Since March 2001, California milk has been pooled in increasing numbers on Federal Order 1032. The attached exhibit no. _____ shows my calculation of the effect on the Federal Order 1032 PPD of California milk pooled on the order in the months of March and September 2001. These two examples show the methodology used to arrive at an estimated effect on the Federal Order 1032 PPD. The California pounds of milk pooled and dollar value of location adjustment were subtracted from the producer milk and net PPD value published in the official Federal Order 1032 "Producer Price Differential, Component Prices and Average Component Tests" for the respective months. This resulted in what the PPD would have been if no California milk had been pooled.

Exhibit no. _____ shows the net effect of this same calculation from March 2001 through September 2001. This adds up to almost two million dollars and a weighted average of about 2¢ per hundredweight over the

seven month period. This was, through these seven months and continues today to be money siphoned away from Midwest dairy farmers. It would not have been allowed between Federal orders and should not be allowed to continue between a Federal order and a State order.

In light of the obvious inequity and the injurious effect on Midwest dairy farmers, we believe that the Secretary should handle this issue on an emergency basis, going directly to a final decision, without the time consuming intermediate steps of a recommended decision.

That concludes my statement.

Calculation of Effect on Federal Milk Order 1032 PPD
from California Milk Pooled

<u>March 2001</u>	<u>Producer Milk</u>	<u>Net Pool Value</u>	<u>PPD</u>
Total	1,543,238,051	\$ 20,371,110	1.32
California	<12,054,466>		
Location adj.: <.3733>		<44,999>	
	<u>1,531,183,585</u>	<u>\$ 20,326,111</u>	<u>1.33</u>
CA effect/cwt			0.01
			<u>x1.53 bil. lbs.</u>
			<u>\$.15 mil.</u>
<u>September 2001</u>	<u>Producer Milk</u>	<u>Net Pool Value</u>	<u>PPD</u>
Total	1,407,789,955	\$ 9,291,805	0.66
California	<72,095,544>		
Location adj.: <.3733>		<269,133>	
	<u>1,335,694,411</u>	<u>\$ 9,022,672</u>	<u>0.68</u>
CA effect/cwt			0.02
			<u>x1.34 bil lbs.</u>
			<u>\$.27 mil.</u>

Estimated California effect on Federal Order 1032 PPD

	CA milk pooled on F.O. 1032 <u>mil. lbs.</u>	PPD <u>Announced</u>	PPD Without <u>CA Milk</u>	PPD <u>Difference</u>	Effect on F.O. 1032 <u>mil. \$</u>
March '01	12	\$ 1.32	\$ 1.33	\$ 0.01	\$ 0.15
Apr. '01	37	\$ 1.36	\$ 1.38	\$ 0.02	\$ 0.30
May '01	50	\$ 0.97	\$ 0.99	\$ 0.02	\$ 0.31
June '01	56	\$ 0.77	\$ 0.79	\$ 0.02	\$ 0.30
July '01	80	\$ 0.68	\$ 0.70	\$ 0.02	\$ 0.30
Aug. '01	75	\$ 0.74	\$ 0.76	\$ 0.02	\$ 0.29
Sept. '01	72	\$ 0.66	\$ 0.68	<u>\$ 0.02</u>	<u>\$ 0.27</u>
				(1) \$.018	\$ 1.92

(1) weighted per hundredweight average of producer milk had California milk not been pooled of Federal order 1032.